

**Statement of the  
MICHIGAN FARM BUREAU  
To the  
Subcommittee on Livestock and Horticulture  
House Agriculture Committee  
Regarding  
Fruits & Vegetables in the Next Farm Bill  
June 19, 2001**

Presented by

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Mr. Chairman, I am Josh Wunsch, an apple and cherry producer from Traverse City, Michigan and a member of the Michigan Farm Bureau Board of Directors. Michigan Farm Bureau appreciates the opportunity to present this testimony on the future direction of national policies concerning fruits & vegetables within the next farm bill. Michigan Farm Bureau is the state's largest general farm organization, representing over 45,000 farmer member families. Our testimony today represents the farmer and production side of the fruit and vegetable industry. Michigan Farm Bureau supports the proper mix of public policy tools that will enable our members to improve their net farm income, enhance their economic opportunity, and preserve their property rights while enhancing the nation's environment.

The provisions that must be decided upon in the next farm bill will have a large impact on the people who produce food and fiber for this country and the world. Our producers face decreased prices for many commodities, increased input costs, increased global competition and increased regulatory costs. These factors are not expected to change soon. Each of these factors contributes to the profitability of our farmers and their survival in this industry. Farmers live in a changing economy and face many situations in which they have no control over including prices, weather, increasing regulations and disease.

The economic condition of many of our fruit and vegetable industries has changed dramatically in recent years. Industries such as apples and asparagus have been devastated economically by the impact of a lack of enforcement of trade agreements and the government's social policy for drug trafficking. These industries are not in financial duress because they have over-produced for what the market can handle, but rather are facing severe economic stress due to factors out of their control.

Based on the conditions and issues outlined above, Michigan Farm Bureau proposes the following recommendations for the next farm bill that we believe will assist the fruit & vegetable industry:

## SUPPLEMENTAL FINANCIAL SUPPORT

- 1) **Market Loss Assistance** - We support \$1 billion in market loss assistance for producers of fruits & vegetables for the 2001 crop year. \$500 million of that should be allocated to apple producers, \$25 million to asparagus producers and the rest to industries that have suffered similar economic conditions. We believe market loss assistance is the best way to provide economic assistance to industries that have been financially damaged due to factors beyond their control.
- 2) **Tree Assistance Program** - We support reauthorization of the Tree Assistance Program (TAP). TAP provides payments for replanting to eligible tree and vineyard growers who incurred losses due to natural disasters, including plant diseases, insect infestations, droughts, freezes, and related conditions. While the current program has been helpful to many growers, changes are needed to make the program more effective, including elimination of the payment limit and acreage restriction.
- 3) **Payment Limits** – We opposes any kind of payment limit or targeting of benefits.

## CONSERVATION

Farm Bureau believes there is a need for a new environmental policy framework. We need to move beyond the current debate over whether the public has the right to mandate features and/or farming practices in the rural landscape. We are at that proverbial fork in the road and have concluded that mandates are not only counter-productive but more important, inefficient. Our members understand that there is need for a different set of tools and farm policy options. We believe market forces and government programs can work together to enhance the nation's productivity and environmental objectives.

There is little doubt that we have made strides in improving our environment over the last three decades. By nearly every measure our environment and natural resources are in much better shape than at any time in our lifetimes. As the demand for environmental enhancements increase it is important that we examine the public policy tools we have at our disposal and determine whether they are appropriate or not.

The public now desires open space, wildlife habitat, scenic vistas, diverse landscapes and recreational activities. These are clearly more ephemeral policy goals that require a more delicate and site-specific policy approach that necessitates the cooperation of the landowner more than ever before. The existing environmental policy framework is not equipped to function in a way that is most efficient in achieving the policy objectives we are faced with in the future. Command and control mechanisms do not provide an incentive for farmers to produce what the public desires. A new, more efficient and effective approach should be developed to assist farmers in providing the public with what it demands. We support \$2 billion for a program that is voluntary, provides sufficient economic incentive and clearly defines the benefits that society at large derives from agriculture.

Bridging the gap between where we are now and where we want to be in the future requires an expanded public investment in agriculture. Part of this public investment directly positions agriculture for renewed growth. Increases in conservation incentives are needed for responsible growth in our industry. We encourage this Sub-Committee to consider the following principles as we work together to find the right mix of policy options that will enable farmers the opportunity to step up to this new challenge:

1. Allow the market to determine the value for these new public attributes;

2. Provide voluntary participants with an annual guaranteed incentive payment, not simply a cost-share or ad hoc payment;
3. Provide incentives for both implementation and maintenance of conservation and environmental practices - something that has been lacking in the past;
4. Make incentives available to ALL producers including fruit and vegetable producers;
5. Provide incentives that conform to WTO green box requirements;
6. Do not replace or disturb any existing or future payment program unless participants choose to opt out of traditional farm programs in return for a higher level of incentives;
7. Provide program participants the opportunity to improve the quality of rural life and increase rural economic development by providing a stable and diverse presence for agriculture; and
8. Allow confidential conservation plans to provide an improved level of assurance and accountability of the conservation efforts undertaken by the program participants.

**EQIP** - We support conservation cost share funding. The current EQIP program does not provide producers the assistance needed to meet current and emerging regulatory requirements. Conservation cost share funding should be increased in order to assist producers with the cost of meeting federal, state and local environmental regulations. EQIP should maintain current authority to provide funding to all producers including fruits and vegetables. We support EQIP authority with improvements in the program to:

- Provide broader third-party technical assistance authority, which would allow farmers to hire consultants to provide technical assistance;
- Eliminate priority areas which would allow all producers regardless of location to participate in the program; and
- Simplify program participation requirements.

**Environmental Incentive Payments** - We support a voluntary environmental program that provides producers with additional conservation options for adopting and continuing conservation practices to address air and water quality, soil erosion and wildlife habitat. This would be a guaranteed payment to participants who implement a voluntary management plan to provide specific public benefits by creating and maintaining environmental practices. The management plan would be a flexible contract, designed and tailored by the participant to meet his or her goals and objectives while also achieving the goals of the program.

We support allowing farmers and ranchers the opportunity to voluntarily participate in a program that provides the public with the environmental features they actually want in agricultural areas. It would also provide participants with an alternative source of income that would, in some cases, provide an additional safety net. The proposal is based on the concept that farmers and ranchers can produce and market more than traditional agricultural commodities. They can also produce and market what might be called public environmental benefits. Not only would agriculture be able to produce and market food and fiber, it would also be able to produce and market environmental amenities that the public desires. Examples include erosion control and improved water quality, ecological services such as nutrient filters and carbon sinks, habitat, bio-diverse landscapes and recreational opportunities, and rural amenities such as visual aesthetics and scenic vistas.

We believe participants should be given the opportunity and flexibility to develop a management plan that provides environmental benefits but without land retirements or easements, to provide environmental benefits in return for a payment. The length of the contract period would be flexible and tailored to meet the participant's situation. Practices covered under such a proposal could range from accepted good farming practices already implemented on the farm to establishment of a comprehensive environmental management plan.

A management plan and any information resulting from it would be confidential, and the property of the producer. If any incidental or minor regulatory noncompliance within the scope of the management plan is discovered in the course of plan development, the producer should have a grace period of one year to get in compliance without being liable for penalties. Producers who are in good faith compliance with their management plans, but through no fault of their own become non-compliant with environmental regulations, would have one year to correct the noncompliance without being liable for civil or criminal penalties.

This concept would provide (a) incentives to all agricultural producers; (b) participants with an annual guaranteed per acre incentive payment; (c) incentives for not only implementation, but also maintenance of conservation and environmental practices; and (d) an opportunity to provide family farms additional financial assistance beyond current programs.

Implementation of an environmental incentives program should be adopted.

## **RISK MANAGEMENT**

While we recognize Congress just spent 18 months and \$8 billion reforming the crop insurance program, we believe an effective risk management program reduces the need for ad hoc disaster payments and allows producers to actively manage their own risk. The following recommendations to the Adjusted Gross Revenue (AGR) pilot program will make improvements and increase producer participation:

- ◆ Maintain and enhance the premium subsidies
- ◆ A method needs to be developed to deal with the bad years in the historical record that is used to set the AGR equivalent of an APH yield. The new basis for insurance each year needs to offer meaningful risk protection to the producer.
- ◆ Higher coverage options above 65 percent need to be available for farmers who produce only 1 or 2 crops on their farm.
- ◆ Pilot areas need to be expanded, but still targeted to the specialty crop industry, which AGR was designed for.
- ◆ Implement as many of these changes within the RMA regulations and rules for the 2002 crop year.

Farm Bureau also supports:

- ◆ The actual production history (APH) staying with the land.
- ◆ No reduction of APH in areas under disaster declaration.
- ◆ The right of the producer to choose between APH and county FSA transitional yield (T yield) in the determination of crop insurance yield coverage.

Farm Bureau opposes:

- (1) Means testing for crop insurance participation or eligibility for assistance; and
- (2) Crop insurance participation as a requirement for eligibility in other government farm programs.

**Disaster Assistance** – We believe an effective risk management program will reduce the need for ad hoc disaster programs and allow producers to actively manage their own risk. However, until this is achieved, we support:

- ◆ A disaster assistance program that includes low interest loans and/or grants until an improved crop insurance program is available for all commodities.
- ◆ In declared disaster areas, a payment to producer based on the difference between the producer's yield for that year and the producer's APH; and
- ◆ The ability of a producer to receive disaster assistance in the year of the disaster even if harvest is scheduled the following year.

## **REGULATORY OFFSETS**

Increased regulatory costs on all levels -- federal, state and local – continue to drain producers economic viability. The annual cost of federal regulations borne by farmers and ranchers is estimated to be a staggering \$20 billion. Farmers understand the importance of protecting the environment. Their livelihood depends on it. However, the expenses that are incurred to meet compliance are taking a heavy toll on already shrinking farm incomes. Michigan Farm Bureau recommends a regulatory offset program that would compensate producers for costs involved in complying with federal regulations. Two examples of costly regulations impacting the fruit and vegetable industry are:

- 1) **FQPA** - Implementation of the Food Quality Protection Act (FQPA) by the Environmental Protection Agency may result in unnecessary restrictions or cancellation of some vital crop protection products. It is critical that as EPA proceeds with the reevaluation of tolerances as required by FQPA, that they not base adverse action against an existing tolerance on unreasonable or unreliable assumptions, anecdotal information or exaggerated models, in lieu of sound scientific data and policies. Many FQPA implementation issues remain unresolved. A loss of key crop protection materials will cost growers millions on dollars on less effective, more costly products and pest control processes and may also result in reduced yields due to poorer quality. A system needs to be developed and implemented that will identify critical registration losses and then provide significant resources to compensate growers for reduced yields and/or quality.
- 2) **MSPA** - The Migrant and Seasonal Agricultural Worker Protection Act (MSPA) imposes standards for employment, housing, and transportation provided for migrant farm workers. Many MSPA housing regulations impose occupancy requirements that significantly exceed state or local housing occupancy requirements or hotel and motel safety and sanitation regulations. MSPA transportation regulations are complex and subject to misinterpretation by regulators, who assert that common car-pooling arrangements among workers are MSPA violations. While family farms are exempt from MSPA, farmers and farm labor contractors are generally responsible for MSPA compliance. These specific regulations and standards impose excessive regulatory and economic burdens on producers.

## **DOMESTIC FOOD ASSISTANCE**

**School Lunch and Domestic Feeding Programs** – School food programs have helped to establish proper dietary habits among young people. We recommend that the school meals program be improved. We support the donation of fruits and vegetables to schools participating in the national school food program and oppose any efforts to change to cash or letter of credit in lieu of U.S. produced commodities.

We continue to encourage the use of U.S. produced agricultural commodities and products in school food and nutritional programs and the P.L. 480 export program. We encourage increased funds for USDA commodity bonus purchases of fruits and vegetables.

In the interest of promoting worldwide health and welfare, we support full funding for the current pilot program for an international school lunch program using American-produced products.

## **TRADE**

As we moved to a more market-oriented farm policy in 1996, it was very evident that we would need an aggressive trade policy to further develop export markets. In that regard we note that:

- a. Congress has not passed trade promotion authority.
- b. Congress did pass permanent normal trade relations for China, but now the Chinese must follow through on their commitments.
- c. We made progress in sanctions reform just a few months ago, but didn't completely eliminate sanctions. This sends a negative message to our trading partners.
- d. The last administration refused to help us maintain our competitiveness by using the Export Enhancement Program. This program has been authorized at almost \$500 million per year, however less than \$5 million has been utilized per year for the last four years.
- e. Agriculture talks within the WTO are progressing, but we can't make real progress toward additional reform until we launch a comprehensive round of negotiations.

Trade has not been an evenly divided two-way road for fruits and vegetables. Our producers are competing against production and export subsidies in foreign nations. Fruit and vegetable producers in this country are at a tremendous disadvantage and are unable to compete on this un-level playing field.

We support the following provisions in the area of the trade title:

**1) Expand Agricultural Exports** - Farm Bureau supports an increase in funding for expansion of agricultural exports. With over one-third of our production moving into the export market, expanding those markets rather than allowing them to continue to shrink is key to the recovery of the current farm economy crisis. Opening markets and leveling the playing field is more important than ever. We cannot afford to remain on the sidelines while other countries use similar export programs to capture our markets. We strongly support the following programs:

- ◆ Title I of the PL 480 program is used to provide overseas food aid, also known as Food for Peace, which includes concessional sales. Opportunities to use fruits and vegetable in the PL 480 program must be expanded.
- ◆ The Market Access Program (MAP) uses funds to aid in the creation, expansion, and maintenance of foreign markets for U.S. agricultural products by forming a partnership between non-profit U.S. associations, cooperatives, small businesses, and the USDA to share the costs of overseas marketing and promotional activities such as consumer promotions, market research, trade shows, and trade servicing.
- ◆ The Export Enhancement Program (EEP) helps products produced by U.S. farmers meet competition from subsidizing countries, especially the European Union. The major objective of the program is to challenge unfair trade practices. With unfair export competition on the rise in many fruit and vegetable commodities, we must expand the use of EEP to help counter these practices. The EEP authorization level has been at least \$478 million over the past four fiscal years, however the past Administration never utilized any more than \$5 million in any of those fiscal years. EEP should be

reauthorized at the maximum levels consistent with export subsidy reduction commitments made in the WTO agreement.

2) **Trade Agreement Enforcement** - Actions such as illegal dumping of Chinese apple juice concentrate have caused enormous economic duress on producers of specialty crops. The apple industry waited for nearly three years to get a favorable ruling on the apple juice concentrate anti-dumping suit against China. China is now continuing to circumvent the tariffs imposed by that ruling by transshipping their juice concentrate into this country via Hungary and other countries. Through all of this, millions of dollars and critical markets have been lost, producers have went out of business, and consolidation in the industry has accelerated due to a lack of timely enforcement of current trade laws. The timeframe and procedure for filing 201 investigations, anti-dumping and countervailing duty cases, etc., is too lengthy, costly and cumbersome for specialty crop industries that are seasonal and/or regional in production. Modifications must be made that will allow for producers to seek a more immediate resolve to trade dispute cases that disrupt the marketplace.

## **AGRICULTURAL CREDIT**

Producers need a variety of credit sources at the lowest possible interest rates. Farm Service Agency (FSA) is an important source of capital for those who cannot qualify for other financing. We support:

- ◆ expansion of the guaranteed loan program
- ◆ the FSA providing adequate levels and terms of credit in a constructive and responsible manner
- ◆ a review and recommendation of appropriate FSA agency policy on loan term limits, loan size limits, and interest rate subsidies

## **Conclusion**

Farmers throughout the country have cited the increased cost of regulations, unfair foreign trade practices and low commodity prices as some of their biggest obstacles. While America's farmers said they would accept major reforms in farm policy in 1996 in exchange for tax reform, regulatory reform and improved opportunities for trade, needed reforms in those areas – considered key to the success of the program – simply have not occurred.

Farm Bureau looks forward to working with the Agriculture Committee on developing a new farm bill that will make agriculture profitable in the 21<sup>st</sup> century.